From: Aaron Goff
To: _Regulatory Comments
Subject: Prompt Corrective Action Risk-Based Capital Comment Letter
Date: Tuesday, May 27, 2014 4:30:53 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of the K.C. Police Credit Union (KCPCU), which serves members of law enforcement community and their families in the Kansas City area. We have approximately 10,000 Members and $112M in assets. KCPCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

KCPCU is currently well capitalized at 11.33% net worth, and would continue to be so under the proposed rule, with a risk-based capital ratio of 17.5%. Nevertheless, we have a number of concerns about this proposal and ask that the NCUA reconsider several aspects of this proposed rule.

1. Our Board of Directors is very careful and conservative with regard to safety and soundness, as it should be. They have traditionally required the Credit Union to maintain a significant cushion above and beyond the traditional "well capitalized" net worth threshold. I believe they will want to act similarly with the RBC ratio, which may unnecessarily alter our strategic direction by putting us into "capital building (or at the least restructuring) mode". This diverts resources and attention from our ability to serve members.

2. The proposed weighting system appears to be overly simplified to a degree that makes us question its usefulness as an indicator of risk. For example, it is difficult to understand how a $10,000 C-paper unsecured loan can carry the same risk weight as an A-paper auto loan with 50% LTV, or a lower risk weight than a student loan that is privately insured against loss.

3. We do not believe that "goodwill", or other intangible assets should be included in the RBC calculation, as these values are not consistently used throughout the industry and are too easily manipulated.

4. We don't disagree with some form of standardized RBC ratio, but not as a substitute for a responsible and consistent examination process, including individual review of credit unions' balance sheets. We are concerned that this particular proposal, as written, may put unnecessary stress on an industry that already rapidly contracting and historically has not been prone to excessive risk problems (at least at the natural person CU level).

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

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